Ministry of Finance

Revenue Division
2350 Albert Street
Regina, Saskatchewan
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Information Bulletin

PST-71 **Issued: March, 2011**

THE PROVINCIAL SALES TAX ACT

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READER SURVEY

INFORMATION FOR SUPPLIERS OF SAND, GRAVEL, CRUSHED/SCREENED BASES AND DECORATIVE ROCK

This bulletin has been prepared to help you apply and collect the Provincial Sales Tax (PST). It is a general guide and not a substitute for the legislation.

The contents of this bulletin are presented under the following sections:

A. Sale of Sand, Gravel, Crushed/Screened Bases and Decorative Rock
B. Distinguishing Supply Only from Supply and Install Sales
C. Supply Only Sales (Retail Sales)
D. Supply and Install Contracts (Real Property Contracts)
E. Calculating Tax on the Cost of Materials
F. Crushing and Processing Gravel
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A. SALE OF SAND, GRAVEL, CRUSHED/SCREENED BASES AND DECORATIVE ROCK

Sand, gravel, crushed/screened bases and decorative rock including pit run gravel, fill gravel and crusher dust are subject to tax. Sales of fill dirt, topsoil, clay and manure are not subject to tax.

These items can be sold on a supply only basis (retail sale) or on a supply and install basis. It is important to make this distinction since the manner in which it is sold will determine how the PST is applied.

B. DISTINGUISHING SUPPLY ONLY FROM SUPPLY AND INSTALL SALES

Product that is delivered and unloaded or dumped at the customer's specified location without any spreading, levelling or compacting services provided, is considered a supply only sale (retail sale). This includes contracts for "belly dumping," where sand and gravel is unloaded onto a road by lifting and opening the truck box while the truck is in motion. PST must be collected on supply only retail sales (see Section C).

Supply and install sales occur when the materials are delivered and then spread, levelled or compacted. These real property contracts typically involve the use of graders, front end loaders, skid steer loaders, packers or other construction equipment. In these instances the contractor is required to pay tax on the cost of materials used in the contract (see Section D).

C. SUPPLY ONLY SALES (RETAIL SALES)

In the case of supply only sales (retail sales), the tax is collected on the full retail selling price. It is important to note the following:

- Crushing charges form part of the manufacturing process and are usually included in the retail selling price of the gravel. If the charges for crushing are shown separately on the invoice, they are still subject to tax.

- Delivery and loading charges within Saskatchewan are not subject to tax, provided they are shown separately on the customer's invoice and are reasonable in relation to the selling price of the product. If the delivery and loading charges are not segregated on the customer's invoice, the total charge is subject to tax.

D. SUPPLY AND INSTALL CONTRACTS (REAL PROPERTY CONTRACTS)

In the case of supply and install contracts, the contractor is considered to be the consumer of the materials used in the contract. As the consumer of the materials, the contractor is required to pay tax on the cost to acquire or manufacture the gravel, which includes the crushing charges. Depending on the circumstances, the contractor will either:

- pay tax directly to the supplier of the materials; or

- self assess tax on the cost of the materials; or

- self assess tax on the cost of manufactured goods.

Note: For instructions on how to self assess tax on manufactured cost, please refer to Section E.

A contractor is not required to report, to the principal, the amount of tax paid on the materials, supplies and other goods used in the performance of their contract. **Therefore, the contract price to the principal must be quoted "Provincial Sales Tax included."**

E. CALCULATING TAX ON THE COST OF MATERIALS

Crushed, Screened and Pit Run Bases:

Contractors must account for tax on crushed/screened and pit run bases produced internally and used by them in supply and install real property contracts.

Contractors are encouraged to keep detailed cost records that include the following costs (excluding the GST):

- gravel pit site preparation and maintenance;
- equipment costs for crushing and screening the gravel including rental, insurance, gasoline, oil, repairs, maintenance and depreciation. Equipment in this category includes the crusher, loader, generator set, conveyors and screens;
- royalty costs;
- direct labour;
- indirect labour including benefits for the foreman and other employees;
- municipal taxes for the gravel pit (if owned by the contractor).

Note: Costs of hauling from the pit to the crusher should be excluded from this calculation.

In the event that detailed cost records are not available, tax may be accounted for on crushed, screened and pit run bases using the following estimated values:

- $3.05 per metric tonne for crushed bases;
- $1.55 per metric tonne for screened bases:
- $0.80 per metric tonne for pit run bases.

F. CRUSHING AND PROCESSING GRAVEL

Charges for crushing or processing gravel are subject to tax whether they are included in the selling price of the gravel or shown separately on the invoice.

A gravel dealer may purchase crushing services exempt from tax by quoting their vendor's licence number to the service provider if the gravel will be sold as a retail sale. Tax will be collected on the charge to the customer.

If the gravel being crushed is for a supply and install contract, the contractor is required to pay PST on the crushing service.

The service to crush gravel that is owned by a municipality or the Ministry of Highways and Infrastructure is not subject to tax, even if invoiced to a contractor. The crushing company must ensure that they have sufficient documentation to support that the gravel is owned by the municipality or Highways.

G. EXEMPT SALES

Supply only sales of sand, gravel and crushed/screened bases to the following are exempt from tax:

- Status Indians or Indian bands providing the goods are delivered to a reserve by the retailer and the *Certificate of Indian Status* card or band number is recorded on the invoice. The complete 10 digit card number must be recorded on the sales invoice. If the federal identification card number is only 3 to 5 digits, record the number and the name of the band on the sales invoice. **Proof of delivery to the reserve must be retained.**

- Other retailers for resale providing the retailer's vendor's licence number is recorded.

- Residents or non-residents providing the goods are shipped or delivered out of the province by the retailer.

- Federal government departments and agencies, municipalities and the Ministry of Highways and Infrastructure. However, decorative rock, red shale and similar products used for landscaping or decorative purposes are subject to tax. (**Note:** all sales to federal government Crown corporations are taxable).

  Tax must be paid by the contractor on road building or landscaping/decorative materials consumed in a supply and install contract even when they are under contract to the federal government, a municipality or the Ministry of Highways and Infrastructure. (See Section D of this bulletin.)

H. CASUAL SALES BY FARMERS

If gravel or sand is sold by a farmer on a casual basis, the farmer is not required to become licensed to collect PST on the sale. However, the business purchasing the gravel or sand must either collect tax on the selling price if it is sold at a retail sale or self-assess the tax if it is used in a supply and install contract.

I. SALES OF USED BUSINESS ASSETS

Businesses are required to collect the tax on the sale of all used assets, such as vehicles and equipment. When used assets are being sold as part of the closure of a business, the purchaser is required to self-assess and report the tax.

Note: For information on the exemption of tax on "eligible used light vehicles," please refer to Information Bulletin PST-58.

J. EQUIPMENT AND GOODS FOR OWN USE

Businesses are required to pay tax on purchases of new and used equipment and supplies used in their business. If purchased from a licensed supplier, tax must be paid to the supplier. If they are purchased from an unlicensed supplier located outside Saskatchewan, tax must be submitted with your return on the laid down cost, which includes exchange, transportation charges, customs duties, and importation charges, but not the GST.

K. SASKATCHEWAN ELECTRONIC TAX SERVICE (SETS)

Saskatchewan Ministry of Finance has made it possible to report and remit tax electronically through the use of a standard Internet connection. The Saskatchewan Electronic Tax Service (SETS) offers a secure, fast, easy and convenient alternative to filing returns in paper format. Several E-File services are currently available through SETS.

Businesses may use SETS to file and pay returns for PST and other provincial taxes.

SETS allows businesses to:

- File and pay returns or make payments on account.
- File a return and post-date the payment to the due date.
- View account balance and statement information.
- Authorize your accountant to file on your behalf.
- Subscribe to an E-Mail Notification Service that allows the option to be notified by e-mail that a tax return should be filed (replaces the paper forms normally received by mail).

FOR FURTHER INFORMATION

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Internet: Provincial Sales Tax bulletins, forms and information are available on the Internet at:

http://www.finance.gov.sk.ca/taxes/pst

To receive automatic e-mail notification when this (or any other) bulletin is revised, go to www.finance.gov.sk.ca/taxes, click on the "What's New" information then click on the "subscribe" button.